

No. 21-2275

IN THE
United States Court of Appeals
FOR THE FEDERAL CIRCUIT

PERSONALIZED MEDIA COMMUNICATIONS, LLC

Plaintiff-Appellant,

v.

APPLE INC.

Defendant-Appellee.

Appeal from the United States District Court for the Eastern District
of Texas, Case No. 2:15-cv-1366, Hon. Rodney Gilstrap

**BRIEF OF FAIR INVENTING FUND AS *AMICUS CURIAE*
IN SUPPORT OF PERSONALIZED MEDIA COMMUNICATIONS, LLC
AND REVERSAL**

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**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CERTIFICATE OF INTEREST

Case Number 21-2275

Short Case Caption Personalized Media Communications, LLC v. Apple Inc.

Filing Party/Entity Fair Inventing Fund

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STATEMENT OF INTEREST¹

Amicus Fair Inventing Fund² was established in 2020 to advocate for the rights of people who invent but who are not equally represented in the patent ecosystem. Creating, commercializing, and patenting new technology is capital-intensive. That poses barriers for those without access to capital—disproportionately women, people of color, veterans, and people from socioeconomically disadvantaged areas—discouraging them from engaging in the patent ecosystem. Congress has recognized the need to “promote the participation of women, minorities, and veterans in entrepreneurship activities and the patent system.” SUCCESS Act, Pub. L. 115-273, 132 Stat. 4158 (2018).

This appeal squarely implicates these interests. The inventor of the patents-in-suit, and the founder of PMC, John Harvey, is a veteran of the U.S. Navy and developed the relevant technical expertise (cryptography) in the military. Like many veteran-founded companies, PMC had limited resources to devote to patent prosecution. But the district court failed to account for those challenges before it deemed PMC to have deliberately delayed prosecution. That ruling risks imposing a burden

¹ PMC consented to filing of this brief. Apple stated it “will not oppose.” Appellant PMC monetarily contributed to Fair Inventing Fund in connection with preparation and submission of this brief. *See* Fed. R. App. P. 29(a)(4)(E).

² <https://www.fairinventing.org>. As an example of our activities, a board member of Fair Inventing Fund worked on a pro bono effort in connection with the Joining Forces program launched by then-First Lady Michelle Obama and Dr. Jill Biden, which resulted in the PTO hiring several hundred veterans since 2011.

on inventors to prosecute numerous applications immediately upon disclosure of a far-reaching, new innovation—one that will fall inequitably on women, minority, and veteran inventors.

INTRODUCTION

In our legal system, citizens must be able to rely on the government’s promises. The Patent Act is built on such a promise: To encourage innovation, the government promises inventors a period of exclusivity in exchange for disclosing publicly their inventions and how to use and make them. That is the patent “bargain.” *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998). When Congress establishes the bargain’s specifics, courts should not—and cannot—alter the terms after the fact in derogation of Congress’s promise and the statutory design. When the PTO reaches a lawful agreement with an applicant on procedures for reviewing patent applications, courts ought not—and cannot—effectively breach that agreement because they dislike the results after the fact. As custodians of law, courts should hold the government to its representations. Equity is not a tool for imposing judicial policy preferences over lawful agreements and promises other branches have made.

This case is about more than holding government to its promises; it is about ensuring courts do not impede the government’s efforts *to fulfill* its promises. In the 1994 amendments to the Patent Act—implementing the Uruguay Round of the Generalized Agreement on Trade and Tariffs (“GATT”)—Congress changed the

way patent terms are calculated. Previously, patent terms were measured from the date of issuance; after the amendments' effective date, patent terms were to be measured from the filing date of the earliest application in the priority chain. To protect inventors' reliance interests and ensure a smooth transition, however, Congress allowed applications filed by June 8, 1995, to receive the benefit of the pre-GATT term, which runs from patent issuance.

PMC was one of the many inventors that relied on this provision. PMC filed pioneering patents in 1981 and 1987, disclosing an "integrated system" combining television content distribution and computer processing. Appx101. Over several years, it filed continuations addressing distinct inventions disclosed in the original applications, as was its right under 35 U.S.C. § 120. In response to the June 8, 1995 deadline for obtaining the benefit of the pre-GATT rules, PMC filed continuations directed to all the inventions in its original disclosures and prosecuted them according to a plan it negotiated with the PTO. The PTO issued PMC's patents, promising it exclusive rights to practice its inventions for 17 years from patent issuance.

The district court's decision to hold PMC's patents unenforceable based on so-called prosecution laches—stripping PMC of its \$308 million jury award—upends the balance Congress struck and reneges on the government's promise. Driven chiefly by policy concerns, the district court deemed PMC's pre-1995 practice of prosecuting continuations seriatim to be improper. But courts had long

permitted precisely that practice. Congress amended the Patent Act in 1994 to eliminate any strategic advantage to pursuing continuations in that fashion. But Congress protected the rights and settled expectations of inventors by giving them until June 8, 1995, to file applications—like the continuations here—consistent with pre-GATT rules. The district court did more than disregard that legislative compromise: It treated PMC’s reliance on that legislative choice as further evidence of a supposedly wrongful scheme.

The district court showed no greater respect for the PTO’s representations. The PTO examined PMC’s applications in accordance with a consolidation plan it negotiated with PMC, and issued PMC’s patents when PMC complied with that plan. The district court not only disregarded the PTO’s authority to manage its own docket by reaching agreements with inventors; it also faulted the agreed-upon prosecution plan as having created delay. The patent system cannot function efficiently if inventors cannot trust the courts to honor the PTO’s lawful agreements.

The district court overstepped its equitable powers. Equity must serve the purposes of law, not subvert them. Equity fills the gaps between statutory rules—it does not upend those rules. Here, the district court invoked the equitable laches doctrine to countermand deliberate decisions of Congress and the Executive Branch. Reversal is warranted.

ARGUMENT

Declaring a duly-issued patent unenforceable is an extreme sanction—one this Court has likened to detonating an “atomic bomb” on patent rights. *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1288 (Fed. Cir. 2011) (en banc). Such an extreme remedy can be imposed only in response to extreme misconduct. In the context of prosecution laches, a court may hold a “patent unenforceable” only upon clear-and-convincing proof of an “unreasonable and unexplained delay in prosecution that constitutes an *egregious misuse* of the statutory patent system.” *Hyatt v. Hirshfeld*, 998 F.3d 1347, 1360 (Fed. Cir. 2021) (emphasis added).

Far from being “unreasonable” or “egregious,” PMC’s conduct was consistent with law, practice, and the deliberate design of Congress’s 1994 GATT amendments. PMC relied on the government’s representations in prosecuting its patents. But the district court improperly disavowed those promises. The district court also exceeded the proper scope of its equitable powers. The equitable defense of laches “fills gaps” in a statute. Courts cannot—as the district court did here—rely on that doctrine to second-guess the deliberate decisions of Congress and the Executive Branch. The facts here do not warrant the harsh sanction of unenforceability.

I. THE DISTRICT COURT OVERTURNED BARGAINS STRUCK BY CONGRESS AND THE PTO

The district court faulted PMC for “unreasonable delay” during two periods: from 1981-1995, during prosecution of PMC’s original patent applications, and after

1995, during prosecution of the continuations that became the patents-in-suit. Appx30. As PMC explains, delays after 1995 were the ordinary grist of prosecution—overcoming non-final rejections, demarcating claims, narrowing claims, etc. *See* PMC.Br.45-48. Apple offered no evidence that conduct was unreasonable under the circumstances. *See id.* at 36-39. Amicus thus will not address those findings in this brief.

As to PMC’s conduct before 1995, the district court ruled that PMC “prosecute[d] applications serially” to unlawfully “obtain patent protection far in excess of the statutory term.” Appx36. That determination lay at the core of the district court’s conclusion that the “course of conduct undertaken by PMC constitute[d] an unreasonable delay.” Appx41; *see* Appx36 (“Delay is inherent to PMC’s scheme. The actual effect was the intended effect.”); Appx36 (“Delays of this magnitude do not occur by accident.”); Appx38 (“[T]he only rational explanation for PMC’s approach to prosecution is a deliberate strategy of delay.”). But it is, and always has been, wholly lawful to file continuations directed to “distinct” inventions in an earlier disclosure, even if one “defers the filing . . . until just before the issuance of the parent application.” *Symbol Techs., Inc. v. Lemelson Med., Educ. & Rsch. Found.*, 422 F.3d 1378, 1385 (Fed. Cir. 2005).

Not content to punish PMC for following well-established practice, the district court faulted PMC for relying on the express promises of the other branches of

government. Congress allowed inventors to obtain the benefit of the pre-GATT patent term (17 years from issuance) for applications filed by June 8, 1995. The district court treated PMC's reliance on that provision as further evidence of its supposedly wrongful "plan." Appx36. Similarly, PMC and the PTO entered into a "consolidation agreement" to govern prosecution of PMC's applications. Appx36. But according to the district court, that agreement helped PMC "realize its initial strategy of serialized prosecution." *Id.*

The district court's rationale cannot be sustained. Inventors rely on the government and the PTO to adhere to their bargains. Consistent with that, courts must apply the patent system's rules predictably. That predictability is necessary to justify often enormous investments in developing new technologies. More fundamentally, it is a necessary premise of our system of laws: The government can be taken at its word because courts will enforce lawful bargains. Courts may perhaps invoke equitable doctrines to address misconduct that, even if it violates no specific rule, at least defies the law's intent. But they may not disregard statutory and regulatory compromises reached by the Legislative and Executive branches to frustrate lawful promises and revoke valuable property rights granted as a result.

A. PMC's Pre-1995 Prosecution Practice Was Reasonable

The patents at issue here arise from continuations to applications originally filed in 1981 and 1987. The original applications disclosed myriad inventions, but

PMC—being a small company—prosecuted continuations one-at-a-time, obtaining six patents from 1981-1994. PMC.Br.50-51. The district court condemned that practice of “prosecut[ing] applications serially” as an unlawful effort “to extend the temporal scope of [patent] protection.” Appx40.

PMC’s practice, however, was not merely permissible under the rules; it was approved by the courts. It was not unusual for inventors of pioneering technologies, like PMC, to file an original application disclosing a broad field of inventions, and then gradually file continuations claiming distinct inventions disclosed earlier. That practice was familiar to Congress—as was the accompanying policy debate over the terms for patents issuing from long chains of continuations. But Congress did not change the patent term in response to such concerns until 1995. And this Court’s decision in *Hyatt* did not retroactively render PMC’s pre-1995 conduct impermissible.

1. When PMC filed its first application in 1981, the patent system differed from today’s in key respects. Patent terms ran from the date patents were issued—as they had since the first Patent Act, *see* Patent Act of 1790, 1 Stat. 109, 110—rather than (as today) from application filing dates. From 1861-1994, the term was 17 years from the date of issue. *See* Pub. L. No. 36-88, 12 Stat. 246, 249 (1861). Then, as now, 35 U.S.C. § 120 gave an inventor the right to file continuation applications. 35 U.S.C. § 120 (1952). Such applications could claim priority to an earlier

application in which the “invention” claimed in the continuation was “disclosed in the manner provided by the first paragraph of section 112.” *Id.* Section 120 imposed no time limit on when continuations could be filed, except to require that they be filed during the pendency of the original application. *Id.* As a result, the 17-year term for a patent arising from a continuation application could begin to run many years after the invention’s disclosure in the initial patent application.

Congress imposed several restrictions to prevent inventors from improperly expanding their rights. Public use of the invention before filing the application would bar patent issuance. *See Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1, 23-24 (1829) (construing Patent Act of 1793); Patent Act of 1836, 5 Stat. 117, 119-20. That restriction ensured that an inventor could not claw back a discovery once it had entered the public domain. An application, moreover, could not be granted if it was directed to the same invention as an earlier patent. *See Suffolk Co. v. Hayden*, 70 U.S. (3 Wall.) 315, 318-19 (1865). That bar on “double patenting” ensured that an inventor could receive only a single term of protection (putting aside extensions) for each distinct invention.

There was, however, no obligation to file an application or continuation within a certain time after invention. As the Supreme Court explained, “[i]nventors may, if they can, keep their invention secret; and if they do for any length of time, they do not forfeit their right to apply for a patent.” *Bates v. Coe*, 98 U.S. (8 Otto) 31, 46

(1878). “Mere delay” in seeking a patent, it continued, “is not a good defense” to infringement. *Id.* at 32; *see Kendall v. Winsor*, 62 U.S. (21 How.) 322, 325 (1858) (rejecting jury instruction stating that inventor must seek patent promptly).

In one famous case, *Columbia Motor Car Co. v. C.A. Duerr & Co.*, 184 F. 893 (2d Cir. 1911), an “applicant took full advantage of the periods of inactivity permitted by the rules and statutes” to defer issuance 16 years while the auto industry adopted his invention. *Id.* at 894. The Second Circuit upheld the patent, explaining that the “patentee acted wholly within his rights.” *Id.* at 895. “He followed strictly the statutes and rules of procedure,” and “merely took advantage of the delays which the law permitted him.” *Id.*

This Court’s predecessor recognized the concern about patents issuing from long-pending applications and continuations, but it declined to impose limits absent congressional action. “[Twenty-four] years of pendency herein may be decried,” it said in one case, but imposing “a limit upon continuing applications is a matter of policy for the Congress, not for us.” *In re Hogan*, 559 F.2d 595, 604 n.13 (C.C.P.A. 1977); *see In re Henriksen*, 399 F.2d 253, 262 (C.C.P.A. 1968) (“[T]he cure for this deplorable state of affairs rests with Congress, not with us.”).

This Court reads the statutory scheme the same way. Filing continuation applications directed at “separate and distinct” inventions in an earlier disclosure, this Court has held, “is expressly allowed by the statute.” *Symbol Techs.*, 422 F.3d

at 1385 (addressing pre-GATT patents). “That is so even when one *defers filing* of a [continuation] application until just before issuance of the parent application.” *Id.* (emphasis added). Use of that practice to increase the total term of protection offered by a patent portfolio, this Court stated, was a policy issue for Congress. “[A]bsent congressional indication that intervening rights are to be applied in the context of continuation applications,” the Court has declined to impose limits that “Congress itself has declined to” impose. *Ricoh Co. v. Nashua Corp.*, 185 F.3d 884, 1999 WL 88969, at *3 (Fed. Cir. 1999) (per curiam) (unpublished table decision); *see Bott v. Four Star Corp.*, 848 F.2d 1245, 1988 WL 54107, at *1 (Fed. Cir. 1988) (unpublished table decision).

Congress was fully aware of that practice. As explained below, draft bills had been introduced in Congress since 1967 to change the way patent terms would be calculated. Rather than provide a period of exclusivity running from patent issuance, those proposals would have measured patent terms from the earliest application filing date, so as to limit the total term for any portfolio of patents arising out of a single disclosure. *See pp. 15-18, infra.* But it was not until 1994-1995, when the prospect of harmonization with other GATT countries tipped the policymaking balance, that Congress changed the law. *Id.*

2. The district court erred in deeming PMC’s reliance on that pre-1995 prosecution practice wrongful *per se*. The court observed that PMC “prosecute[d]

applications serially,” Appx36, and “file[d] continuation applications ‘as late as the law allowed,’” Appx5. The court repeatedly cited that practice as *prima facie* evidence of misconduct. *See id.* (“inventors prosecuted applications serially”); Appx8 (“PMC would prosecute its patents serially”); Appx36 (“strategy of serialized prosecution”). In the court’s view, that prosecution practice was, by itself, an improper “scheme” to “obtain patent protection far in excess of the statutory term.” Appx36. But precedent from 1981 to 1994 supported PMC’s practice. The district court all but acknowledged as much. The court admitted that PMC filed continuations within the time “‘the law allowed,’” Appx5, but nevertheless cited conduct permitted by law as evidence of an *improper* practice, Appx36. The documents the district court pointed to as evidence of an improper scheme of delay, Appx5-7, likewise show nothing more than PMC’s correct understanding of the state of the law at the time. At worst, PMC “took full advantage of the period of inactivity permitted by the rules and statutes.” *Columbia Motor Car*, 184 F. at 894. PMC was “wholly within [its] rights” to take “advantage of the delays which the law permitted [it].” *Id.* at 895.

The district court’s disregard of PMC’s limited resources as the reason for its prosecution strategy, Appx8, was similarly illogical. It is true that, at great trouble and expense, PMC “mounted an all-out prosecution campaign” once Congress imposed the June 8, 1995, deadline for filing applications seeking the benefit of the

17-years-from-issuance term. *Id.* But the court nowhere explained how it could be “unreasonable” or “egregious” for a patentee to have previously adopted a more cost-effective approach before that deadline when the law allowed it.

PMC’s alleged plan to “keep its patent portfolio hidden until after the claimed subject matter became widely adopted in the industry,” Appx8, would not have been wrongful (even if it existed). As PMC explains, the district court relied on documents addressing “patent licensing”—not prosecution. PMC.Br.50-51. PMC did not delay prosecution—it filed seven applications between 1981 and 1987, obtaining its first patent in 1987. Appx5. Nor did PMC delay licensing, starting such efforts in the 1990s, long before Apple began investing in FairPlay. Appx39-40; PMC.Br.30. In any event, it would not have been wrongful for PMC to have waited for the industry to mature before filing continuations. *Columbia Motor Car* condoned just that with respect to automobile patents. *See* 184 F. at 894-95; p. 10, *supra*. This Court has expressly held that it is not a sign of “deceitful intent” for an inventor to wait for a competing product to emerge and then draft claims to cover it. *Kingsdown Med. Consultants v. Hollister Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988). The district court could not properly infer wrongful intent from accepted practices—much less impute that intent onto later, facially innocent conduct, as it did here.

3. The district court justified its decision based on *Hyatt v. Hirshfeld*, 998 F.3d 1347 (Fed. Cir. 2021), *Woodbridge v. United States*, 263 U.S. 50 (1923), and

Webster Electric Co. v. Splitdorf Electrical Co., 264 U.S. 463 (1924). Appx31. But those cases did not involve “[m]ere delay.” *Bates*, 98 U.S. at 32. They involved extraordinary circumstances justifying judicial intervention.

Woodbridge involved a patentee who requested that the PTO keep an allowed application (directed to gun barrel rifling) secret to allow the filing of a foreign application—but who never filed the foreign application and did not seek issuance of the patent until 10 years later, on the eve of the Civil War. 263 U.S. at 53. *Webster* involved a *reissue* application “made for the purpose of *enlarging* the scope of the patent.” 264 U.S. at 467 (emphasis added). Such reissue applications are treated specially under the Patent Act, and were subject to a particularly “strict[.]” application of laches. *Id.*; *cf.* 35 U.S.C. §251(d).

Hyatt was distinct as well. Most importantly, that case involved the *PTO*’s rejection of Hyatt’s applications, and the agency’s conclusion that Hyatt’s conduct before it produced “unreasonable and unexplainable delay.” 998 F.3d at 1357. Three experts in PTO procedure testified that Hyatt’s conduct was unreasonable. *Id.* For example, Hyatt had so thoroughly inundated the PTO with paperwork that the PTO had “12 experienced examiners, dedicated to examining Hyatt’s applications.” *Id.* at 1354. Other differences also abound. *See* PMC.Br.52-59.

Those cases illustrate the exact situations—exceptional abuses—where equitable defenses are implicated. *See* pp. 28-29, *infra*. They do not create a *per se*

bar against the practice of prosecuting continuations one at a time, as the district court appeared to believe.

B. The District Court Reneged on Congress's Promises

The district court recognized that Congress's 1994 GATT amendments to the Patent Act "foreclosed the serial prosecution strategy" that it had faulted PMC for following before those amendments were enacted. Appx9. But the court disregarded Congress's deliberate choice to allow inventors with pending applications to continue exercising their right to file continuations based on those applications for a set period, and to receive the benefit of the pre-GATT 17-years-from-issuance term for such continuations. The district court dismantled the bargain Congress had struck with inventors and then *faulted* PMC for having taken advantage of the rights the 1994 amendments conferred.

1. Congress had long been aware that, under the pre-GATT rules, patents issuing from a chain of continuations could receive a full 17-year term beginning long after the initial patent application was filed. As explained above, the issue had arisen in the courts since the 1800s. *See* pp. 9-10, *supra*. Expert commissions had recommended changing the patent term in response to such practices. The 1966 Commission on the Patent System, established by President Johnson, issued a report recommending changing the patent term so that it would last 20 years from the filing date of the earliest application in a chain of priority. S. Subcomm. on Pats., Trade-

marks & Copyrights of the S. Comm. on the Judiciary, *Report of the President's Commission on the Patent System* 34 (1967). “A term measured from grant,” the report stated, “encourages deliberate delays in the prosecution of applications” and incentivizes inventors to “file continuing applications solely to delay the start of a patent term.” *Id.* at 33. Adopting a term running from the date of filing, the report explained, “would remove any incentive for parties to intentionally delay the issuance of patents.” *Id.*; see Advisory Comm’n on Pat. L. Reform, *A Report to the Secretary of Commerce* 57 (Aug. 1992) (similar).

To that end, bills that would have changed patent terms so they run from the initial filing date were repeatedly introduced, beginning with the proposed Patent Reform Act of 1967. See H.R. 5924, 90th Cong. (introduced by Rep. Robert W. Kastenmeier, Feb. 21, 1967); S. 1042, 90th Cong. (introduced by Sen. John L. McClellan, Feb. 21, 1967); see also 113 Cong. Rec. 11,766 (1967) (statement of Sen. Thomas J. Dodd) (discussing S. 1691, which purportedly would address “delays occasioned by repeated filing of the same inventions” and “dilatatory tactics”); 113 Cong. Rec. 28,876 (1967) (statement of Rep. Robert W. Kastenmeier, quoting speech by Secretary of Commerce Alexander B. Trowbridge) (addressing risk that “businessmen, unaware of a competitor’s work, may invest substantial sums reinventing something already patented by a competitor”). Congress, however, repeatedly declined to change the law.

The policy balance shifted in the early 1990s, when the United States entered into treaties agreeing to harmonize its patent system with those of GATT countries, which measure patent terms from the date of filing. To implement the treaties, the 1994 GATT amendments to the Patent Act adopted a term of 20 years from the earliest filing date. Congress recognized concerns about patents being granted from long-pending applications, and sought to prospectively foreclose patentees from benefiting from such practices. *See, e.g.*, 140 Cong. Rec. 2,194 (1994) (statement of Sen. Dennis DeConcini) (noting that inventors may “intentionally prolong [their] review at the Patent Office so that the patent will be issued long after an industry has been established in that technology”); *see also* K. Tripp & L. Stokley, *Changes in U.S. Patent Law Effected by the Uruguay Round Agreements Act*, 3 Tex. Intell. Prop. L.J. 315, 318 & n.20 (1995) (similar).

Congress, however, chose to grandfather certain patents and applications. Doing otherwise would have cut off the rights of inventors with then-currently pending applications—causing the terms of patents issued from such applications to be reduced, even to zero. *See* Tripp & Stokley, *supra*, at 318 (discussing possible “dramatic effects” on existing applications). Congress thus crafted a carve-out to preserve the promise that had induced those inventors to disclose their inventions. S. Rep. No. 103-412, at 228-29 (1994). The new 20-years-from-filing term would apply *only* to patents issuing from applications filed after June 8, 1995. *Id.* at 228.

Until then, inventors could file applications—including continuations from existing applications—and benefit from a patent term of *either* 17 years from grant, or 20 years from filing of the earliest application, whichever was longer. *Id.* at 228-29.

When Congress made that choice, it was fully aware that some applications had long been pending at the PTO, usually due to a long chain of continuations. *See* T. Kowalski & P. Salkeld, *The Impact of GATT on the United States Patent and Trademark Office*, 11 St. John’s J. Legal Comment. 455, 458 (1996). But Congress did not cut off the rights of those inventors. Instead, it directed the PTO to promulgate regulations to streamline examination of applications that had been pending for more than three years as of June 8, 1995. *Id.* Making its intent clearer still, Congress later rejected a bill that would have retroactively applied the 20-years-from-filing term to pre-GATT patents. *See* To Correct and Improve Certain Provisions of the Leahy-Smith America Invents Act, H.R. 6621, 113th Cong. § 1(m) (2012); S. Amend. 3344 (2012). Congress thus gave inventors with pre-GATT applications a limited opportunity to assert the full scope of their patent rights by filing continuations by June 8, 1995. That is exactly what PMC did, filing applications directed to *all* the inventions disclosed in its 1981 and 1987 applications. Appx9.

2. The district court recognized that the 1994 amendments to the Patent Act addressed the same practice—the “serial prosecution strategy”—that it faulted PMC for adopting. Appx9. But it overlooked Congress’s solution: Congress chose

to “foreclose[.]” that practice only going forward, while protecting, for a limited time, pre-existing rights and practices for pending applications. *Id.* Yet the district court ***faulted*** PMC for availing itself of the rights Congress had preserved. In the district court’s view, reliance on that provision was more evidence of intent to delay. “Critical to [PMC’s] plan,” the court asserted, “was the pre-GATT patent term, which began at the date of issuance.” Appx36; *see* Appx10 (“PMC timed these applications specifically to get the benefit of the pre-GATT rules.”). The “[d]elay” the statute enabled, the court stated, was “inherent to PMC’s scheme.” Appx6. That makes no sense. When Congress chooses to permit a particular practice, accepting Congress’s choice is not misconduct.

The alternative the district court proposed makes less sense still. The district court suggested that PMC should have ***further delayed*** its applications. Had “PMC cared only about obtaining patent protection on all of its inventions independently,” the court charged, “it could have filed its applications after the GATT deadline.” *Id.* PMC did receive an “advantage” by filing in time to receive the benefit of the pre-GATT rules. *Id.* But that was the very “advantage” Congress had offered inventors. The district court could not second-guess Congress’s deliberate bargain—much less ***punish*** PMC for filing its applications ***earlier*** so that it could take Congress up on Congress’s offer.

C. The District Court Broke the PTO's Agreement with PMC

Federal agencies like the PTO have discretion to adopt rules and issue orders to manage their dockets. *Fla. Cellular Mobil Commc'ns Corp. v. FCC*, 28 F.3d 191, 193 (D.C. Cir. 1994). The PTO, moreover, is entitled to deference for procedural determinations with respect to cases before it. *Hyatt v. Boone*, 146 F.3d 1348, 1355 (Fed. Cir. 1998). Here, the PTO exercised its discretion to enter into an agreement with PMC governing prosecution of PMC's timely filed applications. PMC complied with that agreement, and the PTO duly issued PMC's patents. Far from respecting or enforcing that agreement, the district court effectively breached it.

PMC's patents were pending at an extraordinary moment. As the district court noted, in the nine days prior to June 8, 1995, the PTO received over 50,000 applications, an order of magnitude more than normal. Appx10. The PTO thus hired hundreds of examiners to deal with the crushing caseload. *Kowalski, supra*, at 457. Understanding that prosecuting the 328 applications it filed in 1995 would be lengthy and complex, PMC began discussions with examiners as early as August 1995 to establish a prosecution plan. PMC.Br.12. After successfully overcoming a rejection, PMC entered into a consolidation agreement with the PTO in 1999. *Id.* at 13-14. The agreement required PMC to reduce its applications by half and to group the remaining ones into subject-matter categories. *Id.* at 14-15. PMC was also required to separate the applications into "A" and "B" groups; PMC and the PTO

agreed that the “A” applications would be examined first. *Id.* PMC undisputedly complied with the prosecution plan, and the PTO duly issued PMC’s patents.

Despite acknowledging that “the PTO assented to this consolidation plan,” the court asserted that compliance with the agreement did not “automatically vindicate” PMC’s conduct. Appx35. The court criticized the “consolidation agreement itself [as] also contribut[ing] to delays,” concluding that it “permitted PMC to realize its initial strategy of serialized prosecution.” Appx35-36. That defies basic principles. Where a government agency sets a deadline, a court cannot fault a patentee, even under a laches theory, for using the available time. *See Overland Motor Co. v. Packard Motor Car Co.*, 274 U.S. 417, 423-25 (1927). Agreements between the PTO and applicants with respect to complex applications are not uncommon. It would wreak havoc if inventors could not rely on such agreements—if they had to anticipate the possibility that a district court, years later, would invalidate the agreements because it disagreed with the PTO’s decisions regarding the PTO’s own docket management.

For the same reason, this case is completely different from *Hyatt*. There, it was *the PTO* that complained about the applicant’s conduct. 998 F.3d at 1351. Like PMC, Hyatt entered into an agreement with the PTO. *Id.* at 1353. But then, over the next eight years, Hyatt systematically ignored that agreement and refused to cooperate with the PTO’s requests. *Id.* at 1358-59. Hyatt *breached* his agreement

with the PTO and was subjected to the consequences. PMC, by contrast, *complied* with its agreement with the PTO. The PTO itself offered no complaint and issued the patents. Indeed, the sole time an examiner expressed frustration with supposed delay, the PTO *overturned* the examiner’s decision as unjustified. PMC.Br.39-40.³

II. THE DISTRICT COURT’S DECISION EXCEEDS EQUITY’S PROPER SCOPE

A. Federal Courts’ Equitable Powers Cannot Be Used To Override Considered Congressional Decisions

Jurists have long recognized the necessity of cabining equity to its proper role. Overreach by equity courts, Sir William Blackstone warned, invites “confusion and uncertainty” and risks “arbitrary” decisions—resulting in a judicial system unfit for a country that “boasts of being governed in all respects by law and not by will.”³ William Blackstone, *Commentaries* *440. The Founders shared those views. *See Missouri v. Jenkins*, 515 U.S. 70, 128 (1995) (Thomas, J., concurring). Alexander Hamilton underscored the need to keep equity “within the expedient limits,” lest it “unsettle the general rules.” *The Federalist No. 83*, at 569 (Rossiter ed., 1961). Thomas Jefferson, likewise, warned that granting equity powers to federal courts could “[r]elieve judges from the rigor of text law, and permit them, with pretorian

³ The district court suggested that the PTO overruled the examiner because it thought “laches” was not an available “ground for rejection.” Appx14 & n.6. But the PTO rejected another application based on laches in 2000, *see In re Bogese*, 303 F.3d 1362, 1365 (Fed. Cir. 2002), before the PTO reversed in this case, PMC.Br.18.

discretion, to wander into its equity,” rendering “the whole legal system . . . [u]ncertain.” 9 *Papers of Thomas Jefferson* 71 (J. Boyd ed. 1954).

Consistent with that history and with equity’s traditions, courts cannot use equity as a vehicle to impose their policy preferences over otherwise lawful legislative or executive choices. See *United States v. Oakland Cannabis Buyers’ Coop.*, 532 U.S. 483, 497 (2001) (“A district court cannot . . . override Congress’ policy choice, articulated in a statute, as to what behavior should be prohibited.”); *Heine v. Levee Comm’rs*, 86 U.S. (19 Wall.) 655, 658 (1873) (“But the hardship of the case, and the failure of the mode of procedure established by law, is not sufficient to justify a court of equity to depart from all precedent and assume an unregulated power of administering abstract justice at the expense of well-settled principles.”); 27A Am. Jur. 2d *Equity* §29, Westlaw (database updated Nov. 2021) (“[C]ourts must be careful not to usurp the legislative role under the guise of equity.”); see also *Virginian Ry. Co. v. Sys. Fed’n No. 40*, 300 U.S. 515, 551 (1937) (“In considering the propriety of the equitable relief . . . we cannot ignore the judgment of Congress, deliberately expressed in legislation.”). The contrary rule would threaten separation of powers. See *Lewis v. Casey*, 518 U.S. 343, 385 (1996) (Thomas, J., concurring) (“[S]eparation of powers impose[s] stringent limitations on the equitable power of federal courts.”); *Oakland Cannabis*, 532 U.S. at 497 (“Courts of equity cannot, in their discretion, reject the balance that Congress has struck in a statute.”). Equitable

doctrines “fill certain gaps in a statute”; they cannot be used to alter “substantive rights.” *In re Bernard L. Madoff Inv. Sec. LLC*, 721 F.3d 54, 76 (2d Cir. 2013). Nor can equity be invoked to address “new conditions” that require “*Congress . . . to design the appropriate remedy.*” *Grupo Mexicano de Desarrollo S.A. v. Alliance Bond Fund, Inc.*, 527 U.S. 308, 322 (1999) (emphasis added).

The equitable doctrine of laches, invoked by the district court here, has an especially narrow role in actions arising under statutes. Laches has merely a “gap-filling, not legislation-overriding” role. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663, 680 (2014); *see SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 961 (2017) (same). Courts therefore cannot use equity to avoid a “policy outcome” that a judge may “deem undesirable.” *SCA Hygiene*, 137 S. Ct. at 961 n.4.

B. The District Court Improperly Applied the Equitable Doctrine of Laches To Displace Legislative Determinations

The district court improperly used the equitable laches doctrine to displace Congress’s express decision to extend the pre-GATT rules to applications, like PMC’s, that were filed by June 8, 1995. The district court’s prosecution laches ruling rested on the same policy concerns about so-called “serial prosecution strategy” that Congress had considered in the 1994 amendments to the Patent Act. Appx9; *see pp. 15-16, supra*. But when Congress amended the Patent Act, it foreclosed those practices only prospectively; it did not strip rights from pre-existing applica-

tions with long priority chains. *See* pp. 17-18, *supra*. Indeed, Congress later rejected a bill that would have cut off the rights of long-pending applications. *Id.* The district court, by contrast, applied that policy retrospectively, stripping away rights Congress had deliberately preserved based on the court’s policy analysis. That was not a proper exercise of equitable powers.

1. As explained above, since 1967, Congress had debated changing the patent term to address what the district court called the “serial prosecution strategy.” While other countries had adopted patent terms that ran from the date of an application’s filing, the United States long retained a more pro-inventor approach.

Prior to enacting the 1994 GATT amendments, Congress had carefully weighed the competing interests. Proponents of changing the rules urged that the pre-GATT rule, under which the patent term began upon patent issuance, allowed patentees to “obtain a patent at a financially desirable time when the accused product market had become suitably developed” or “specifically target competitors’ new products.” *Hyatt*, 998 F.3d at 1351-52. On the other hand, the pre-GATT rules encouraged “early disclosure” of “pioneer[ing]” inventions. *In re Hogan*, 559 F.2d at 606. Under the pre-GATT rules, an inventor had an incentive to fully disclose a discovery in the original application, as the term for distinct inventions disclosed therein would not begin until a continuation was filed and a patent issued. Under the post-GATT rules, however, inventors have an incentive to file narrow applica-

tions, because the 20-year term for every invention disclosed therein will begin to run upon filing of the original application. The 1994 patent-term change was therefore opposed by industries, such as biotechnology, where patents stemming from long-pending applications are common. *See* M. Lemley, *An Empirical Study of the Twenty-Year Patent Term*, 22 AIPLA Q.J. 369, 376-77 (1994); pp. 15-16, *supra*.

Weighing those competing policy views in 1994, Congress compromised. It applied the 20-year term prospectively, to applications filed after June 8, 1995. *See* 35 U.S.C. § 154(c)(1) (1994); pp. 17-18, *supra*. Inventors who had relied upon the pre-GATT rules were “grandfathered” and permitted to file continuation applications up to that June 8 deadline. Congress expressly considered applications that had been pending at the PTO for more than several years. *See* pp. 18-19, *supra*. But it did not extinguish rights with respect to those applications either. In fact, in 2012, it rejected a bill that would have done so for applications long pending at the PTO. *See* p. 18, *supra*.

2. In finding that PMC’s “serial prosecution strategy” triggered laches, the district court did not focus on facts unique to this case. For example, it did not identify illegality, deception, etc.—the usual grist of equitable defenses. Instead, it focused on the putative unfairness of the “serial prosecution strategy” itself. Appx5; Appx6; Appx9; Appx36; Appx38. In the district court’s view, “the serial prosecution strategy allowed for outsized temporal expansion of patent rights.” Appx9; *see*

Appx36 (“PMC sought 30 to 50 years of protection”); Appx40 (faulting PMC for “hoping to extend the temporal scope of its protection for 30 to 50 years”). These are the same policy considerations—balancing the time available to the inventor to recoup his investment versus the public’s interest in free use of new inventions—that Congress already considered in crafting the bargain in the 1994 amendments. The district court exceeded the proper scope of equity by reweighing the same policies to arrive at a different solution—retrospectively cutting off rights with respect to patents derived from long-pending applications—than Congress.

The district court’s analysis of the purported harms was also mistaken. The court asserted that PMC’s “strategy” allowed it to “extend[] the temporal scope of protection far beyond the statutory term of seventeen years.” Appx8. That conflates the “statutory term” for a single patent with the total duration of a “portfolio of patent coverage.” Appx38. Before 1994, an inventor was entitled to 17 years of protection for each *distinct invention*. Filing a continuation could not “extend” the statutory monopoly period for any invention: The double-patenting bar precluded a patent from issuing unless it was directed to a *different invention* than prior patents. *Id.* The district court overlooked that PMC’s 1981 and 1987 applications disclosed myriad inventions—the PTO ultimately issued over 100 patents in 56 inventive-subject-matter categories derived from those disclosures. PMC.Br.14-15. There

was nothing impermissible, or prejudicial to the public, about PMC securing for each distinct invention a period of protection running 17 years from patent issuance.

The district court was also under the misimpression that PMC's prosecution strategy inhibited public disclosure. To the contrary, PMC disclosed the full scope of its discoveries in its 1981 and 1987 applications, which were published in 1989. The district court deemed that disclosure of "no consequence" because "it is the claims, not the specification, that defines the patentee's rights." Appx37. But an invention is "disclosed" by describing it in a specification meeting the requirements of 35 U.S.C. § 112(a). *See* 35 U.S.C. § 120. As it was permitted to do under the pre-GATT law, *see* pp. 7-15, *supra*, PMC fully disclosed its technologies to the public at the latest by 1989.

C. The District Court's Application of an "Atomic Bomb" Remedy Absent Extraordinary Circumstances Was Improper

Ultimately, PMC's conduct was "not sufficiently extraordinary to justify" the extreme remedy of holding PMC's patents unenforceable. *Petrella*, 572 U.S. at 687. This Court has reserved that extreme sanction for extreme prosecution misconduct. *See Therasense*, 649 F.3d at 1287. For example, this Court has found the related doctrine of inequitable conduct applicable to misdeeds such as "perjury, the manufacture of false evidence, and the suppression of evidence." *Id.* That reflects the principle that equity should rarely be used to destroy property rights. *See Henderson v. Carbondale Coal & Coke Co.*, 140 U.S. 25, 33 (1891) ("[e]quity always leans

against” “forfeiture[.]” of property rights). In *Hyatt*, for example, the patentee engaged in deliberate defiance of agreements with the PTO, violations of regulations, and failed to disclose material information. See 998 F.3d at 1357. Such conduct may well warrant the extreme sanction of refusing to issue the patents in the first instance.

In this case, by contrast, the district court treated innocent or ambiguous conduct as wrongful based on an inference about PMC’s wrongful “plan.” Appx36. Even if intent were part of the inquiry—but see *Hyatt*, 998 F.3d at 1370—the district court’s analysis fell far short of applicable standards. Unenforceability based on inequitable conduct, for example, requires a showing of “specific intent to deceive” so strong that it is “the single most reasonable inference able to be drawn from the evidence.” *Therasense*, 649 F.3d at 1290; cf. *Star Sci., Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008) (“[I]t is . . . inequitable to strike down an entire patent where the patentee only committed minor missteps or acted with minimal culpability or in good faith.”). PMC, however, repeatedly sought to speed up examination: meeting with examiners, filing petitions with the Commissioner, and writing to the PTO director. PMC.Br.13-22. The court stripped PMC of its patents without the showing of culpability that equity requires.

CONCLUSION

The judgment should be reversed.

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